

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

*52nd
annual
report
1956*

NATIONAL
Cleveland, Ohio
TOOL
COMPANY



Directors

JOHN A. BRADNER	Cleveland, Ohio
<i>President, The Lees-Bradner Company</i>	
GEORGE O. DESAUTELS	Indianapolis, Indiana
<i>President, George O. Desautels Company</i>	
CHARLES M. HANNUM	Detroit, Michigan
<i>Partner, A. J. Brandt Company</i>	
J. VICTOR LOEWI	Milwaukee, Wisconsin
<i>President, Loewi & Company, Incorporated</i>	
JOHN S. PEARSON	New York City
<i>Dobbs & Company</i>	
RICHARD F. STEVENS	Cleveland, Ohio
<i>Partner, Baker, Hostetler & Patterson</i>	
ARTHUR T. WEST	Cleveland, Ohio
<i>President, National Tool Company</i>	

Executive Committee

JOHN A. BRADNER	JOHN S. PEARSON
J. VICTOR LOEWI	ARTHUR T. WEST

Officers

ARTHUR T. WEST	<i>President and Treasurer</i>
RAY D. LINDSTROM	<i>Vice President and General Manager</i>
RICHARD F. STEVENS	<i>Secretary</i>
LEWIS M. SHAFER	<i>Assistant Secretary and Assistant Treasurer</i>

REGISTRAR OF STOCK

THE NATIONAL CITY BANK OF CLEVELAND

TRANSFER AGENT OF STOCK

THE NATIONAL CITY BANK OF CLEVELAND

INDEPENDENT AUDITORS

HASKINS & SELLS

*The Annual Meeting of Stockholders will be held on April 30, 1957.
Notice of the Meeting and Proxy Form will be mailed to each holder
of Common Stock on or about April 8, 1957.*

TO THE STOCKHOLDERS AND EMPLOYEES OF NATIONAL TOOL COMPANY

Net sales in 1956 were \$4,302,103. Cutting tool sales were the highest in the Company's history with the exception of the year 1951. Sales in 1955 were \$4,078,175.

Net income was \$147,237, or 58 cents per share—a 21 percent increase over 1955 net income of \$121,353, which was equivalent to 48 cents per share.

Working capital at December 31 was \$1,180,727, and the ratio of current assets to current liabilities was 4.13 to 1. Dividends amounting to 40 cents per share were paid. At the end of the year there were 1,385 stockholders.

Income for 1956 expressed as a percentage to sales was the highest in five years. In spite of this increase, 1956 profit should have been much higher. The efficiency of factory employees was abnormally low during the last four months of the year. Management believes that this was caused by differences which foreshadowed the strike of factory employees at the year end.

Because of the strike the plant was shut down from January 2 through February 23. This was the second major work stoppage in fifty-two years. Management made every effort compatible with the Company's interests to avert the strike and thereafter negotiated at great length to adjust the differences with the Union. Those differences have now been resolved to the satisfaction of both labor and management by a twenty-six month contract which assures against work stoppage during its existence. Labor relations are again harmonious.

Harry W. Barkley, President and General Manager of National Tool Company, passed away on February 3, 1957. National Tool Company's present high standing in the cutting tool industry is a tribute to his ability as an able administrator. His associates at the Company and many friends throughout industry deeply mourn his passing.

A special meeting of the Board of Directors was held February 7, at which time Mr. J. Victor Loewi, President of Loewi & Company, Incorporated, Milwaukee, was elected Chairman of the Executive Committee. Mr. John A. Bradner, President of The Lees-Bradner Company, Cleveland, was elected to fill the vacancy on the Executive Committee. The Board also appointed a Management

Committee composed of Raymond D. Lindstrom, Vice President, and Arthur T. West, Secretary and Treasurer to carry out the late Mr. Barkley's duties. At a regular meeting of the Board of Directors on March 7, Mr. West was elected President and a Director. Mr. Lindstrom was elected Vice President and General Manager. Each of these men has had long experience with the Company and has demonstrated his loyalty to it.

While National Tool Company experienced a loss during the strike, steps were taken to keep this loss at an absolute minimum. The backlog of unfilled orders at December 31, 1956 was \$1,048,213. It now stands at \$1,085,984. We gratefully acknowledge the contributions made during this period by our distributing organization, but most of all want to thank our customers who showed such a high degree of tolerance and understanding.

In order to keep pace with an increasing demand, and to provide additional equipment for the manufacture of the new line of gear shaving tools, the Company early in 1956 undertook a program of expansion which will increase substantially the capacity of one of its largest departments. This program, which was necessarily halted in recent weeks, is being accelerated. We continue to be most encouraged with the sales outlook for the Company's products, and feel that we will have immediate use for this additional plant capacity.

To help offset higher labor and material costs, price increases were instituted on certain of the Company's products in November, 1956. Prices of all remaining products were increased this month. Though it will take a period of time to process orders accepted at old prices, profit margins should increase from month to month as the higher priced orders appear in shipments. This, coupled with the plant expansion program, a high backlog, and the fact that operating efficiency has returned to normal offers hope that the year 1957 may still be a favorable one for National Tool Company, in spite of the losses suffered as a result of the strike.

THE BOARD OF DIRECTORS

March 7, 1957

National To

BALANCE

December 31,

Assets

	DECEMBER 31 1956	1955
CURRENT ASSETS:		
Cash	\$ 309,044	\$ 320,935
U. S. Treasury securities, at cost plus accrued interest (less amount applied in reduction of Federal taxes on income)	50,821	91,113
Accounts receivable:		
Trade (less reserve of \$17,239 for doubtful accounts)	389,633	409,540
Other	9,931	12,865
Inventories—at lower of cost or market:		
Finished and in-process products	394,714	354,829
Raw materials and supplies	404,121	525,910
Total current assets	<u>\$1,558,264</u>	<u>\$1,715,192</u>
MUTUAL INSURANCE DEPOSITS (NET) AND OTHER		
NONCURRENT RECEIVABLES	<u>\$ 16,482</u>	<u>\$ 21,926</u>
PROPERTY, PLANT, AND EQUIPMENT—At cost:		
Land	\$ 39,104	\$ 39,104
Buildings	389,548	388,577
Machinery and equipment	1,419,312	1,223,676
Total	<u>\$1,847,964</u>	<u>\$1,651,357</u>
Less reserve for depreciation and amortization	1,120,697	1,014,786
Property, plant, and equipment—net	<u>\$ 727,267</u>	<u>\$ 636,571</u>
DEFERRED CHARGES	<u>\$ 63,696</u>	<u>\$ 82,675</u>
TOTAL	<u><u>\$2,365,709</u></u>	<u><u>\$2,456,364</u></u>

NOTES TO FINAN

1. Four thousand shares of unissued capital stock of the Company are subject to a purchase option at \$4.55 a share until February 3, 1958 by the estate of an officer of the Company who passed away February 3, 1957.

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HE SHEET

1956 and 1955

Liabilities

	DECEMBER 31	
	1956	1955
CURRENT LIABILITIES:		
Current portion of notes payable to banks	\$ 120,000	\$ 120,000
Accounts payable:		
Trade	45,922	105,887
Other	27,547	29,515
Accruals:		
Federal taxes on income (\$147,905 at December 31, 1956 and \$109,644 at December 31, 1955 offset by U. S. Treasury se- curities)		
Other taxes	11,121	12,123
Salaries, wages, and commissions	168,286	124,944
Miscellaneous	4,661	6,617
Total current liabilities	<u>\$ 377,537</u>	<u>\$ 399,086</u>
NOTES PAYABLE TO BANKS,		
4%, maturing \$30,000 quarterly (less current portion)	<u>\$ 360,000</u>	<u>\$ 480,000</u>
CAPITAL INVESTMENT AND EARNINGS RETAINED FOR USE IN THE BUSINESS:		
Common capital stock, authorized 600,000 shares of \$1 par value each; issued and outstanding, 252,732 shares (Note 1)	\$ 252,732	\$ 251,732
Excess of paid-in capital over amount assigned to capital stock (increased during the year by \$3,550 premium on stock sold)	232,194	228,644
Earnings retained for use in the business (Note 2)	1,143,246	1,096,902
Total capital investment, etc.	<u>\$1,628,172</u>	<u>\$1,577,278</u>
TOTAL	<u><u>\$2,365,709</u></u>	<u><u>\$2,456,364</u></u>

ICIAL STATEMENTS

2. Under the terms of the agreement relating to the notes payable to banks, dividends or other distributions to stockholders are restricted. At December 31, 1956, \$126,366 of earnings retained for use in the business was available for distribution in 1957.

National Tool Company

STATEMENT OF INCOME AND EARNINGS RETAINED FOR USE IN THE BUSINESS for the years ended December 31, 1956 and 1955

	YEAR ENDED DECEMBER 31	
	1956	1955
SALES AND OTHER INCOME:		
Net sales	\$4,302,103	\$4,078,175
Other income	4,592	5,929
Total	<u>\$4,306,695</u>	<u>\$4,084,104</u>
LESS:		
Cost of goods sold (including depreciation and amortization of \$113,270 for 1956; \$110,345 for 1955)	\$3,275,415	\$3,167,459
Selling, general, and administrative expenses	710,795	669,541
Interest and debt expense	22,248	7,073
Total	<u>\$4,008,458</u>	<u>\$3,844,073</u>
INCOME BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	\$ 298,237	\$ 240,031
PROVISION FOR FEDERAL TAXES ON INCOME	151,000	118,678
NET INCOME	\$ 147,237	\$ 121,353
EARNINGS RETAINED FOR USE IN THE BUSINESS, JANUARY 1.	1,096,902	1,104,306
Total	<u>\$1,244,139</u>	<u>\$1,225,659</u>
DIVIDENDS PAID:		
Cash	\$ 100,893	\$ 59,901
In common stock, 5%, at market value		68,856
Total	<u>\$ 100,893</u>	<u>\$ 128,757</u>
EARNINGS RETAINED FOR USE IN THE BUSINESS, DECEMBER 31 (Note 2)	\$1,143,246	\$1,096,902

The Notes on the Balance Sheet are an integral part of this statement.

HASKINS & SELLS
Certified Public Accountants

Williamson Building
Cleveland 14

Accountants' Certificate

NATIONAL TOOL COMPANY:

We have examined the balance sheet of National Tool Company as of December 31, 1956 and the related statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earnings retained for use in the business present fairly the financial position of the Company at December 31, 1956 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 21, 1957.

National Tool Company

Statistical Record — 1946-1956

Year Ended Dec. 31	Net Sales	Net Profit for the Year	Net Profit Per Share	Taxes Per Share	Cash Dividend Per Share of Common Stock	Working Capital	Net Worth	Net Worth Per Share of Common Stock
1946	2,056,876	75,785	.33	.38	15¢	393,808	952,211	4.15
1947	2,797,271	97,240	.42	.45	15¢	401,309	1,015,087	4.42
1948	2,735,617	110,154	.48	.46	15¢	456,444	1,090,802	4.75
1949	2,377,964	95,361	.41	.41	20¢	763,053	1,140,245	4.97
1950	3,137,290	168,860	.75	.81	30¢	774,165	1,221,904	5.32
1951	6,113,278	248,661	1.08	2.68	50¢	901,519	1,376,107	5.99
1952	5,446,721	151,231	.65	1.21	50¢	928,128	1,427,038	6.11
1953	5,412,018	173,787	.74	1.87	50¢	998,235	1,488,026	6.34
1954	4,160,789	120,087	.51	.83	50¢	834,146	1,490,816	6.35
1955	4,078,175	121,353	.48	.76	25¢+5% Stock	1,316,106	1,577,278	6.27
1956	4,302,103	147,237	.58	.92	40¢	1,180,727	1,628,172	6.44

Breakdown of 1956 Sales Dollar



